1 RECOMMENDATION

1.1 That the Committee consider the draft revenue budget 2020/21 attached at Appendix 1 (summary attached as Appendix 2) and comment back to the Executive prior to their recommendation to full Council for final approval in February.

2 PURPOSE OF THIS REPORT

2.1 The Authority is required by law to set a balanced budget i.e. the anticipated ongoing costs of providing services should be equal to anticipated funding resources. Further, it is vital that the budget is sustainable over the long term while achieving the Council’s corporate goals.

2.2 It is critical that the revenue budget is set in such a way as to ensure that the Council allocates its limited available resources effectively and efficiently, in order to continue providing value for money services and meet both its statutory obligations and its aims and objectives as outlined in the Community Strategy and Corporate Plan.

2.3 The Council’s constitution and best working practice requires that the Policy Review Committee and Members of the Council be consulted on setting the Revenue Budget prior to the Executive recommending that Council adopts the budget.

2.4 In order to comply with this requirement, the adoption of the 2020/21 Revenue Budget will follow this timetable:
Table 1 – 2020/21 Revenue Budget Timetable

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Draft budget to Executive to recommend for consultation</td>
<td>15 January 2020</td>
</tr>
<tr>
<td>Draft budget to Policy Review Committee for consultation</td>
<td>28 January 2020</td>
</tr>
<tr>
<td>Final budget to Executive for recommendation to Council</td>
<td>12 February 2020</td>
</tr>
<tr>
<td>Final Budget recommended to Full Council for approval</td>
<td>26 February 2020</td>
</tr>
</tbody>
</table>

2.5 The Executive considered the draft revenue budget report (EX/20/18) at its January meeting and recommended the draft budget to the joint meeting of the Policy Review and Operations Review Committees and to all members and stakeholders for consultation.

3 BACKGROUND

3.1 The draft budget for 2020/21 shows a net budget requirement of £11,725k representing the budgeted gross spend of £26,665m (excluding Housing Benefit of £39,200k), less income received of £14,940k. The net budget requirement is balanced by an equivalent level of funding (refer to Appendices A and B of Appendix 1). The net budget requirement for 2020/21 represents a slight increase of less than 1.6% compared to the current year’s budget (£11,545k).

3.2 Further to the four-year financial settlement, announced as part of the 2017 Spending Round, which ends in the current financial year 2019/20, Local Government had anticipated a further multi-year financial settlement in the 2020 Spending Round, as well as announcements in respect of the Fair Funding Review and review of the system of Business Rates redistribution. However, due to other Central Government priorities in relation to Brexit, the Chancellor announced in his Autumn Statement on 4 September 2019, a single year spending round for 2020/21 and a deferral of the Spending Review and Business Rates reset until 2021/22.

3.3 The provisional finance settlement for 2020/21 was delayed until after the December General Election and was finally announced on the 20 December 2019, the latest it has ever been. The provisional settlement confirmed general government grant funding for Hertsmere of £2,723k which represents an inflationary increase (c.1.6%) on the current year and the first increase in 10 years. This general government grant funding now comes solely from Business Rates Baseline Grant as the Revenue Support Grant (RSG) was reduced to zero for Hertsmere from 2019/20.

3.4 General government grant funding now represents just 23% of Hertsmere’s overall funding compared to 54% back in 2010/11, meaning that the cost of providing council services is falling increasingly on council taxpayers. For 20/21 65% of Hertsmere’s net budget requirement will be funded from Council Tax compared to just 45% in 2010/11.

3.5 Other key announcements in the provisional settlement confirmed that the
negative Revenue Support Grant (RSG), which for Hertsmere would have meant paying back a negative grant of c. (£223k) would not be applied in 2020/21 and would be funded centrally by the Treasury. This was also the case in 2019/20, c. (£217k).

3.6 It was also confirmed that the New Homes Bonus scheme was to be reviewed by MP’s and that the 2020/21 allocation would be for a single year only with no legacy payments (currently payments are made for four years). Existing legacy payments from prior year allocations would however be honoured. The future of the NHB has been uncertain for some time and Hertsmere have therefore planned to reduce reliance on this grant funding over the medium term.

3.7 Details of the draft revenue budget for 2020/21 are set out in the Executive report attached at Appendix 1 with the draft revenue budget being presented in Appendix B to that report in the “Direct Cost” format, with the 2019/20 budget presented alongside for comparative purposes.

3.8 The “Direct Cost” format shows the net budget requirement by service so as to establish service responsibility and accountability for any growth or movements within the budget directly under the control of the budget holders concerned. The “Direct Cost” format excludes any support service costs and recharges between services such as accommodation and depreciation.

3.9 To support the budget consultation process a draft budget summary document has also been prepared for 2020/21 highlighting some of the key elements of the draft revenue budget. This summary is attached as Appendix 2 and is available to view on Hertsmere’s website.

3.10 The budget may be subject to minor changes as officers continue to scrutinise services prior to presentation of the 2020/21 budget to full Council for final approval.

4 FINANCIAL AND BUDGET FRAMEWORK IMPLICATIONS

4.1 As set out in appendix 1

5 LEGAL POWERS RELIED ON AND ANY LEGAL IMPLICATIONS

5.1 As set out in appendix 1

6 EFFICIENCY GAINS AND VALUE FOR MONEY

6.1 As set out in appendix 1

7 RISK MANAGEMENT IMPLICATIONS

7.1 As set out in appendix 1

8 PERSONNEL IMPLICATIONS

8.1 As set out in appendix 1
9 EQUALITIES IMPLICATIONS

9.1 As set out in appendix 1

10 CORPORATE PLAN and POLICY FRAMEWORK IMPLICATIONS

10.1 As set out in appendix 1

11 ASSET MANAGEMENT IMPLICATIONS

11.1 As set out in appendix 1

12 HEALTH AND SAFETY IMPLICATIONS

12.1 As set out in appendix 1

13 BACKGROUND DOCUMENTS USED TO PREPARE THIS REPORT

<table>
<thead>
<tr>
<th>Document Title</th>
<th>Filed at:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive report EX/20/01 “Setting the Revenue Budget 2020/21”</td>
<td>Appendix 1</td>
</tr>
</tbody>
</table>

14 CONSULTATION ON DRAFT REPORT

14.1 As set out in appendix 1